

THE ULTIMATE GUIDE TO

open banking use cases



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The ultimate guide to open banking use cases



Open banking will soon be three years old in Europe. So what has it achieved? We've looked at millions of open banking API calls to identify the most common and most promising use cases. Here's what we found.

Open banking is a technology that enables providers to initiate payments and fetch data directly from a customer's bank account, with express permission, via open APIs. It has ignited a new generation of financial services, enabling businesses to build products that increase engagement, reduce costs, and transform the customer experience.

71%

By 2022, 71% of UK SMBs and almost two third of adults will have adopted open banking, according to PwC – creating a £7.2 billion revenue opportunity.

Yet beyond the common applications, most businesses don't yet know what open banking can do for them – even in the financial sector. A survey among 2000 financial institutions conducted by our partner The Paypers in May, together with INNOPAY, shows that **most global banks, fintech and investors are looking to learn more about inspiring and promising use cases enabled by open banking.**

That's what this report aims to do.

INTRODUCTION

We've looked across our customer base and at the millions of open banking API calls going through our platform each month to identify the proven use cases already driving value for consumers in Europe, including:

- **Smart onboarding**

(account and identity verification, auto-filling forms, income verification and affordability checks).

- **Personal finance management**

(finance dashboards, auto-saving, smart budgeting).

- **SME finances**

(account aggregation, automated accounting and affordability checks).



TRADING 212

The ability to fund accounts instantly and securely is critical for our users. TrueLayer enabled us to offer such an experience even for bank deposits. Our users no longer need to do manual wire transfers and wait a day or more before funds arrive in their Trading 212 account.

Nick Saunders,
CEO, Trading 212



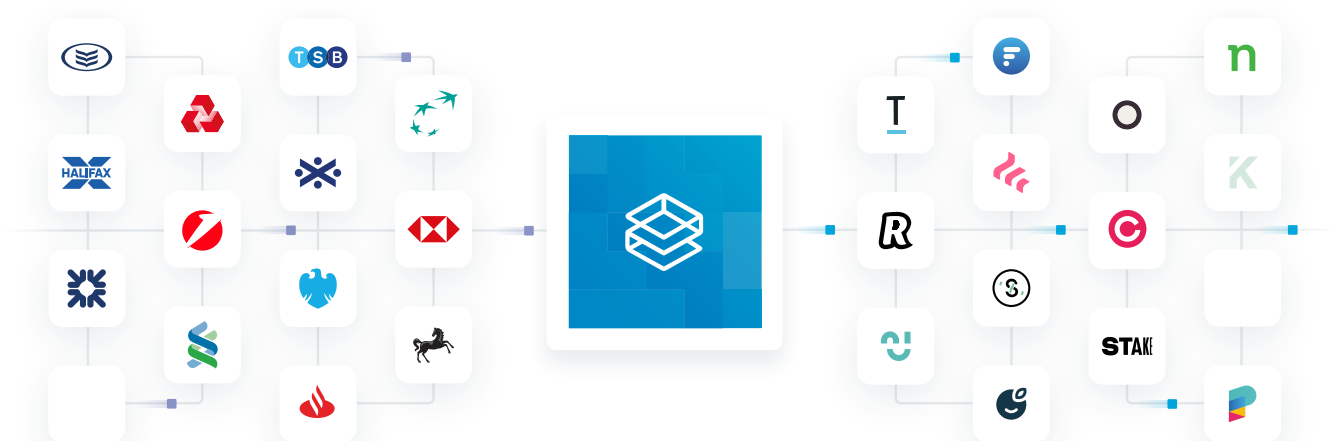
We'll also highlight emerging use cases, where open banking is expanding beyond fintech into sectors like iGaming, marketplaces and wealth management, and is primed to take over broken processes:

- **Data-driven insights and personalised services**

- **Instant bank payments**

(account funding, one-off payments)

We'll look at how these use cases might evolve in the future and also consider the potential of combining use cases to transform the user experience.



Open banking success to date

One of the backbones of open banking and PSD2, Account Information Services (AIS), enables financial institutions to share their data with other providers.

AIS has given rise to two main use cases, which are now well established: **smart onboarding** and **finance management**. Together they make up almost two thirds of the use cases we see through the TrueLayer platform.



Smart onboarding

The lending and rental industries were quick to see the value of open banking to inform and speed up loan applications, credit decisions and rental applications.

We're also seeing interest from industries with complex regulatory requirements like iGaming, where open banking data can be used to verify affordability and accelerate KYC processes; and online marketplaces, where it can be used to get sellers up and running quickly.

Here's how open banking can make onboarding smarter – and who's doing it already.

Verifying accounts

With open banking, you can instantly verify account ownership with your customer's bank, without having to outsource or ask a user to manually upload documents.

CreditLadder allows people to report their rent payments into Equifax and the Experian Rental Exchange to help build their credit scores over time. It uses open banking account verification to check that a current account belongs to the user that signed up, helping prevent fraud.



PROVEN USE CASES

Verifying identity

Some industries require thorough identity checks. If a childcare marketplace is onboarding a new nanny, for example, it might need to check the date of birth, address and National Insurance number. While these identity credentials don't come as standard in open banking APIs, some banks do provide them at a cost.

Auto-filling forms

Filling out applications for financial services can be laborious for the user and leads to high drop-off rates. Open banking can be used to reduce friction in the loan application process for example, by automatically completing information for an applicant.

Verifying and estimating income

With open banking, users don't need to self-report income or manually upload bank statements; lenders can automatically verify and estimate income.

Wagestream for example, verifies employee income in order to give employees access to their wage at any time of the month; while Wollit analyses income data to give users an 'income promise'.

Affordability checks

Income data tells one half of the story, spending data the other. With both, businesses can check affordability of, for instance, a rental property (which RentGuard does) or loan repayments, which Zopa does.

Loan assessments are a common use case – making up around 13% of use cases among our customer base. Affordability checks in rental make up a further 8%.

“



The Data API instantly provided us with a seamless and safe way to verify account ownership and transaction history. This helps us to onboard new customers quickly while they are most engaged.

Sheraz Dar,
CEO, CreditLadder

”

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PROVEN USE CASES



Personal finance management

Personal finance management (PFM) is the single most common example of open banking in action to date and makes up a quarter (24%) of use cases among our customer base. Within PFM, we've identified three distinct use cases.

Finance dashboards (account aggregation)

Consumers can connect multiple bank current accounts to apps like Revolut to create a single unified view, through open banking account aggregation. This gives them greater oversight and control over their money.

This use case is widely adopted across European fintechs: our customers include digital banking service [Revolut](#), mobile banking app [Numbrs](#) and automatic savings apps [Chip](#) and [Plum](#).

Smart budgeting

With open banking, businesses can classify transactions, allowing users to track their spend and giving them budgeting tips.

Savings platform [Plum](#) offers financial insights and allows users to set spending caps. It also makes recommendations on how users can save – for example, if they're spending too much on utilities, it might suggest switching to another provider.

[Revolut](#) too uses current account data to recommend new products to help users save money on things like loans, credit cards, overdrafts and international transfers.

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Revolut

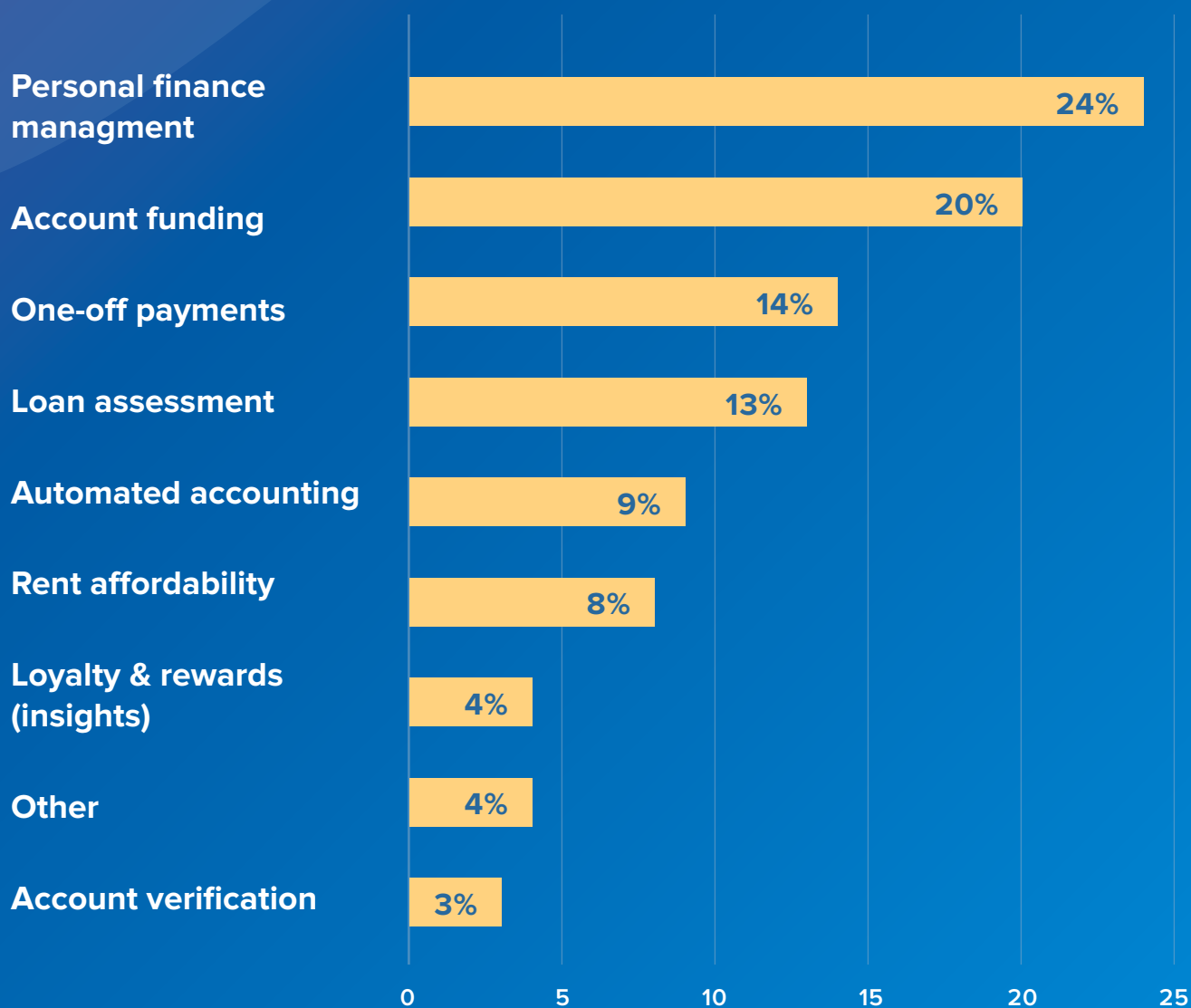
When our customers say it's easy to connect their external accounts using the TrueLayer integration, that's a huge tick for us.

**Joshua Fernandes,
Head of Open Banking
at Revolut**

”

MOST COMMON

open banking use cases among TrueLayer customers



% of total use cases among TrueLayer customers – September 2020

PROVEN USE CASES

Auto-saving

Open banking data powers the auto-saving features in fintechs like [Plum](#) and [Chip](#), allowing users to set saving goals, analysing their finances and automatically putting money aside each month.

“

Revolut

We wanted to contextually introduce users to the new financial products that Revolut has to offer in a way that was tailored to their needs. Using TrueLayer, we are able to instantly leverage open banking to do this.

Joshua Fernandes,
Head of Open Banking at Revolut

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SME finances

There are three main ways open banking is helping SMEs, with automated accounting making up about 9% of all use cases we see through our platform.

Account aggregation

Open banking powers software that allows businesses to see all their current accounts in one place, making them easier to track and manage.

[Ember](#), for example, makes accounting effortless for contractors. Using open banking account aggregation, Ember enables contractors to maintain one central feed for all business transactions, helping them better understand their real-time tax position.

Automated accounting

Accounting software providers use open banking to get real-time access to business current accounts.

[Coconut](#) is a current account with accounting and tax capabilities built-in, designed specifically for freelancers, self-employed people and small businesses. It uses open banking APIs to access transaction data and automatically classifies it for tax and accounting, in real-time.

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PROVEN USE CASES

Affordability checks

In the business lending sector, open banking is improving access to credit. [Capital on Tap](#), for example, uses open banking to power credit decisioning, allowing them to make faster and more informed decisions on business credit cards and provide same-day access to funds.

“

Coconut.

With open banking we were able to open up our powerful accounting platform to every self-employed person, regardless of which bank or credit card they choose to use for business.

Russell Dias, Head of Product at Coconut

”

The game changers

Fintechs across Europe have been quick to use open banking APIs to enhance existing services, but we're now seeing the value it can add to a much wider range of businesses.

We're also seeing much wider adoption of open banking payments, which make up just over a third of the use cases we see among TrueLayer customers.



Data-driven insights and personalised services

Transaction data is powering credit decisioning for loans and smart budgeting features in digital banking, **but there's huge potential outside of fintech.**

Loyalty and reward or cash-back schemes make up 4% of use cases among our customer base. Loyalize, for example, is a white-label SaaS platform which uses open banking data to provide businesses like airlines and retailers with customer insights for user segmentation and marketing.

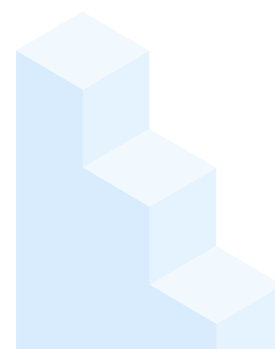
We're seeing interest too from ecommerce and marketplace providers who want to use open banking insights to power nation-wide loyalty programmes.

The potential applications are broader still. Consider, for instance, the online marketplace operator who wants to better understand share of wallet and target shoppers with relevant deals when they are most engaged. Or the iGaming operator that wants to segment VIPs and personalise the gaming experience or identify at-risk players and put in place spending caps.

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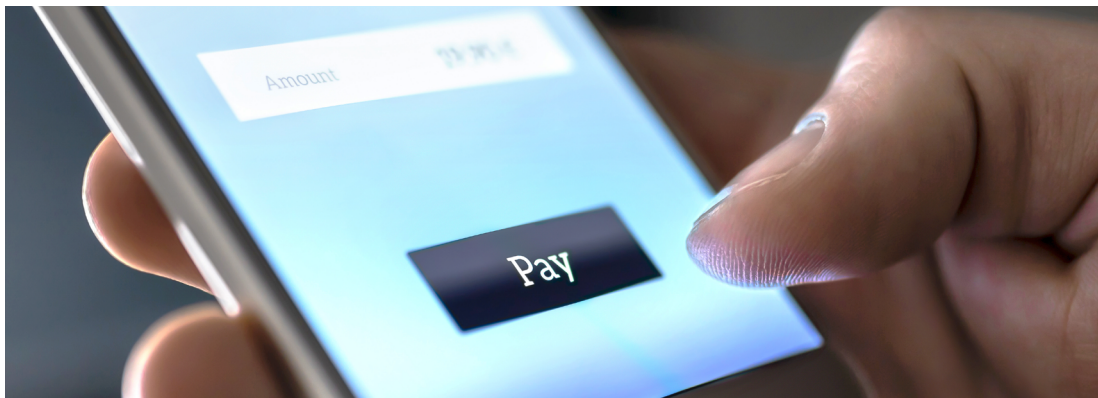
EMERGING USE CASES

**Instant bank payments**

Open banking payments started slowly but adoption is accelerating. Within 10 years, we believe it will be the default online payment option.

Use of our Payments API grew exponentially between March and July 2020, rising 832%, when many European countries were in lockdown. We haven't seen that usage fall off, suggesting that **those who began to use open banking payments during lockdown are continuing to do so.**

Analysis of our API data also shows that the average transaction value of these payments has doubled since last year (£130 to £313), suggesting that consumer trust in open banking is increasing.



No surprise perhaps, **when you consider how it can fix the payment experience for both customers and providers:** no need to use bank transfer with its manual data entry and reconciliation headaches, or cards with their slow settlement, high failure rates and high fees.

With open banking, businesses pass payment details directly to a user's bank via a third-party payment initiator. The payer only needs to connect to their bank from within the app or website in which they're paying, and confirm the payment, which can be done in a couple of taps. Payments settle instantly, references are locked, fees are minimal.

We've identified two major use cases for open banking payments – one which is already taking off, and one which we believe has high potential.

USE OF OUR PAYMENTS API
GREW 832%

between March and
July 2020, when many
European countries
were in lockdown.

832%

Instant account funding

Neobanks like [Revolut](#), WealthTech platforms like [Nutmeg](#) and trading apps like [Freetrade](#) and [Trading212](#) are using open banking to enable instant account top up.

Nutmeg became the first UK wealth manager to launch open banking payments in 2020, letting its users quickly initiate a bank transfer through its app to fund their investments. Before 2020, bank transfers accounted for a tiny proportion of Nutmeg's overall payments. **Now, enabled by open banking, they're a quarter of all payments and growing.**

Outside fintech, there's usage in industries like iGaming, where betting exchange and online gambling operators like [Smarkets](#) are enabling instant deposits.

In the future, funding accounts could be made simpler still, as API providers build on top of core open banking infrastructure to offer wallet propositions. With their own in-app wallet, customers would have instant access to funds for an even better user experience.

One-off payments

Some businesses are using open banking to enable instant invoice payments ([Coupay](#), for example, allows freelancers to collect payments from customers), but for many others, open banking isn't an option.

Ecommerce providers can't use open banking yet for example, because it's a one-way rail and they need to be able to give immediate refunds back to the same account.

However, this blocker is being removed as providers like TrueLayer build on top of open banking APIs to allow instant refunds.

“ **nutmeg**

Bank transfers are the best and fastest way to get money into a Nutmeg account and therefore into the market... With this in mind, we worked with TrueLayer, reducing a lengthy payment process to just a couple of taps.

Matt Gatrell,
COO at Nutmeg

”

COMBINING USE CASES

Transforming user experience

Today, most digital experiences are fragmented across onboarding, payments and payouts.

Third-party providers own different parts of the user journey, which results in a poor experience for the user and is costly for businesses. While open banking infrastructure doesn't yet support payouts, TrueLayer has built on top of open banking APIs to allow instant payouts for a closed-loop solution.

This means that businesses can combine account verification with payments and payouts, allowing for tight control over the source of funds, by ensuring funds that are topped up are returned to the same account. Instant withdrawals increase consumer trust as giving faster access to money is proven to increase loyalty and retention.

We're seeing more businesses leverage open banking at multiple touchpoints across the user journey to transform user experience and cut their own operational costs. Challenger bank [Revolut](#) and online trading platform [Trading 212](#), for example, both use open banking to power their onboarding and payments experience.

“



As open banking is purely API-based, it is very easy to build on top of, which makes it the perfect tool for ambitious and innovative companies who want to reinvent the status quo.

Francesco Simoneschi, CEO at TrueLayer

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Open finance opportunities

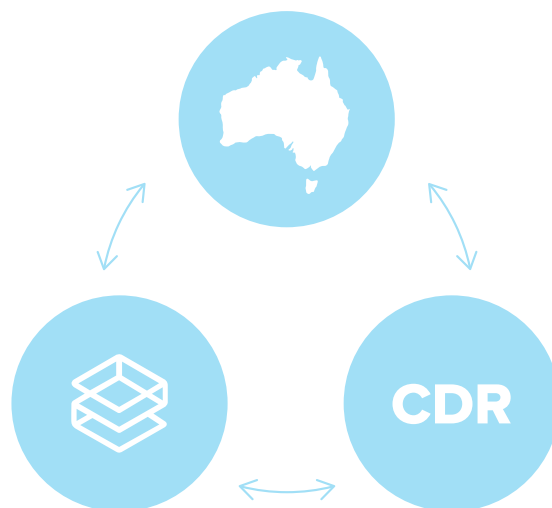
While open banking gains traction in Europe, foundations are being laid for the next wave of financial innovation: open finance.

Open finance covers new types of financial data, including savings, insurance, mortgages, investments, pensions and loans. It will give new life to the use cases we outline in this paper and create new value for consumers.

Consider, for example, a dashboard that enables people to **see all their lifetime pension savings pots in one place**, so they can make better decisions about their retirement (as per [UK government plans](#)).

Or a digital banking service that allows users to micro-invest their savings, automatically allocating money from a current account into a savings, pensions, ISA or investment account, depending on where that money is best put to use.

In the UK, the Financial Conduct Authority (FCA) published its Call for Input on open finance in December 2019 and there have been similar moves in Australia, where the government has introduced a [Consumer Data Right \(CDR\)](#).



We hope that open finance can **build on the successes of open banking, while heeding the lessons**. We believe that a testing environment between data holders and third-party providers could accelerate the move towards open finance, and help regulators to develop rules that unblock, rather than restrict innovation.

CONCLUSION

Embedded finance is the future

While personal finance management has become the poster child for open banking, we believe the biggest impact will come from instant bank payments, as well as rich data insights that power predictive analytics, forecasting tools and a new generation of personalised services.

As VC firm a16z has suggested, with these rails ‘anyone could become a fintech’. Any business can leverage open banking to create financial services experiences for its customers – from marketplaces like Amazon offering cash advances to suppliers and Uber enabling drivers to buy cars, through to Google offering fully branded account services.

And while getting started with open banking can seem complex, the emergence of open banking API platforms is bringing down barriers to entry and enabling businesses to get to market faster.

To discuss your open banking project, contact us at hello@truelayer.com

**For more information about
how TrueLayer enables
open banking use cases,
visit truelayer.com**

Building with TrueLayer

TrueLayer is building financial infrastructure open to any business, anywhere in the world. We enable everyone to benefit from financial technology by making it easy to integrate data, payments and financial services into any application.

We were one of the first companies to be regulated as a payment institution with permission to provide both account information and payment initiation services. Today, our platform accounts for more than half of all open banking traffic in the UK.

Since open banking was launched, TrueLayer has secured partnerships and integrations with companies including:

Revolut

 **Freetrade**

 **Portify**

nutmeg

 **plum**

 **chip**

 **smarkets**

ZOPA

TRADING 212

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 **TRUELAYER**

Our vision is to create a financial ecosystem that's open to everyone. We're building intelligent infrastructure to open up finance, so that every business can innovate, and consumers have more control over their financial lives.

Francesco Simoneschi,
CEO at TrueLayer

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